

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7307

BILL NUMBER: SB 389

NOTE PREPARED: Jan 5, 2015

BILL AMENDED:

SUBJECT: Income Tax Credit for Toll Road Charges.

FIRST AUTHOR: Sen. Zakas

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides an income tax credit to individuals who pay tolls to drive on the Indiana Toll Road for a nonbusiness purpose. It provides that the amount of the tax credit may not exceed the lesser of \$300 or 50% of the amount of tolls paid by an individual during the taxable year. It provides that the tax credit may not exceed an individual's Adjusted Gross Income (AGI) Tax liability.

Effective Date: January 1, 2016.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise forms, update instructions, and modify software applications to enact this tax credit. They should be able to implement the provisions within the bill with their current level of staffing and resources.

Explanation of State Revenues: *Summary* - This bill creates a nonrefundable Individual AGI Tax credit for tolls paid by individuals driving on the Indiana Toll Road for nonbusiness purposes. It is estimated that the credit could reduce state AGI Tax revenue by \$7.4 M to \$10.3 M annually beginning in FY 2017.

The estimates are based on varying assumptions about toll road utilization, average tolls, response by residents and nonresidents to the tax credit, and net tax liabilities. The revenue loss could potentially be greater if the response to the credit by nonresident casual users is higher than assumed for this estimate.

Additional Information - The tax credit equals the lesser of \$300 or 50% of the amount of tolls paid by the taxpayer during the taxable year to drive on the Indiana Toll Road for nonbusiness purposes. The tax credit is nonrefundable and must be used in the tax year which the qualifying tolls were paid. The tax credit is

effective beginning in tax year 2016. Revenue collected from the Individual AGI Tax is deposited in the state General Fund.

The estimates are predicated on actual two-axle vehicle transactions on the Toll Road from October 2013 through September 2014, as reported by the ITR Concession Company. The estimates are also based on research on travel patterns and characteristics such as trip purposes, frequency of usage, and the vehicle registration state of passenger cars on the Toll Road. This research was conducted by Wilbur Smith Associates in August 2002. Estimated traffic attributable to business purposes was excluded from the estimates.

The lower bound assumes 100% of work commuters from Indiana and adjacent states and 50% of Indiana users who use the Toll Road for school, shopping, and social or recreational purposes will respond to the tax credit. It assumes nonresident casual users will not take the tax credit.

The upper bound assumes 100% of work commuters from Indiana and adjacent states and 100% of Indiana users who use the Toll Road for school, shopping, and social or recreational purposes will respond to the tax credit. It also assumes 1% of the nonresident casual users will claim the credit.

The average tolls on the barrier system and ticket system are based on the median from the cash and electronic toll schedules for two-axle vehicles published on the Indiana Toll Road website as of December 15, 2014. This methodology accounts for the impact of the percentage and dollar credit limits and for the potential for some taxpayers to have insufficient tax liabilities to exhaust the nonrefundable credit amounts.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: *Indiana Toll Road 2014-3rd Quarter Traffic Characteristics Reports, 2013-4th Quarter Traffic Characteristic Reports*, retrieved on December 15, 2014; *October Rate Review and Revenue Projections Study, Indiana Toll Road*, August 2005, Wilbur Smith Associates; *Indiana Toll Road 2-axle Toll Schedule*, accessed December 15, 2014 (<http://www.ezpassin.com/2axles/>)

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